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C O N F I D E N T I A L SECTION 01 OF 02 RANGOON 001425

SIPDIS

STATE FOR EAP/BCLTV, EB/ESC, DRL
COMMERCE FOR ITA JEAN KELLY
TREASURY FOR OASIA JEFF NEIL
USPACOM FOR FPA

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SUBJECT: BURMA SANCTIONS: GARMENT MAKERS CLING TO LEAKY RAFT

REF: RANGOON 1358

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.5 (B,D)

1. (C) Summary: Burma's private garment manufacturers claim 100 closed factories and 50,000 jobless as of the end of October -- with another 25,000 likely out of work by year's end. However, last-minute, limited garment orders from Europe will postpone the death of the Burmese garment industry into 2004. As of yet, there's still no overwhelming evidence of large numbers of garment workers turning economic migrant or karaoke hostess. However we will wait until severance packages and other opportunities dry up before making a firm assessment of the social cost of the garment sector's demise. End summary.

Burma's Garment Makers Emerge from Woodwork

2. (C) Citing increased attention from military intelligence, Burmese owners of private garment factories have refused to meet us since the implementation of the U.S. import ban in late August. This import ban cut off the industry's primary market for clothing -- worth around US\$ 70 million to the Burmese economy in 2002. However, we were able to sit down on November 5th with a representative of one of the largest private firms, a regular and reliable pre-sanctions contact of the Embassy's, to hear the Burmese view of the state of affairs in the garment sector. Several Korean investors in the garment sector recently aired their grievances to us as reported in reftel.

3. (C) The Burmese factory owner told us that an unexpected 20 percent rise in orders from Europe (due to the Euro 2004 soccer tournament), had softened the landing for his factory, and those of his colleagues. Nonetheless, he had already closed two of his seven factories, with a loss of 1,000 jobs, and will close another this month -- 500 more jobs. Through the end of October, the loosely organized Burmese garment manufacturers' association reported 100 factories closed with a loss of about 50,000 jobs. He commented that the damage was almost done, predicting another 50 factories and 25,000 jobs lost in the next two months before capacity and demand returned to equilibrium. He feared, though, that there would be another round of closures in 2004, when the limited Euro 2004 orders dried up.

The Mystery of the Laid-Off Garment Worker

4. (C) Our contact agreed with his Korean colleagues' assessment that few laid-off workers (nearly all young women) had thus far sought refuge in the entertainment industry or headed for the Thai border. Instead, he thought, most had unsuccessfully sought work in other stricken garment houses, before heading back to the fields of their home villages. However, he warned that it was really too early to make any firm statements on the ultimate fate of these people. By law, factory owners are required to give each laid-off employee a three-month severance package. When these packages start to dry up, in a month or two, the economic situation for these unemployed, and their families, could become dire. He would not speculate on the ultimate destination for his ex-workers. He said that the entertainment industry was "not for everybody," however, he also asserted that employment opportunities for young women are extremely limited.

5. (C) What is clear for now is that the government will offer little assistance. Adopting the attitude it has relied upon when faced by troubled traders and bankers, the Minister of Industry (1) told a group of the largest local garment factory owners that they should survive "the best you can on your own." When pressed, the Minister offered that government factories might be able to temporarily hire 5-10 percent of the unemployed garment workers, but at a wage far lower than in the private factories. (Government wages across the board are pitiful, with a civil servant at the top of the wage scale earning 10,000 kyat (about US\$11 at current rates) per month. Private garment factories usually offer around the equivalent of US\$15-\$20 per month, or more, plus overtime.) Grim Future, But Details Aren't Clear

16. (C) From our observations and recent discussions with garment manufacturers, NGOs, and other businesspeople (including some potential hirers of ex-workers) we reach two conclusions: (1) U.S. sanctions are expediting the death of an already sickly garment sector and new orders from Europe, or elsewhere, will not arrive to save the day; and, (2) it's too early to make absolutely definitive assertions on the fate of all of the 50,000-100,000 workers who have already lost, or who will likely lose, their garment jobs. No one claims that there are revolving doors between the garment factories and the Thai border, or the restaurants, karaoke lounges, massage parlors, and discos of Burma's cities. However, with few other economic opportunities for young women available, there remains a real fear that some of those who lose their garment jobs will find their way into the country's entertainment sector.

Martinez